



United States
Department of
Agriculture

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Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

SUBJECT: School Year 2007 Commodity Entitlement Clarification

TO: State Food Distribution and Child Nutrition Directors
and Regional Program Directors

This is to clarify what has transpired regarding the 12 percent commodity provision in the National School Lunch Program (NSLP) and the impact the provision is having on school year (SY) 07 entitlements.

Section 6(e) of the Richard B. Russell National School Lunch Act requires in each school year, not less than 12 percent of all Federal food assistance provided under section 4, 6 and 11 be in the form of commodities. To determine whether the provision is met, FNS does the following calculation using NSLP data for SY 06:

Total commodity assistance divided by total FNS assistance must equal at least 12 percent. Total commodity assistance is determined by adding entitlement commodity earnings (lunches served times the commodity rate) and the value of bonus commodities distributed. Total FNS assistance is determined by adding cash earnings based on meal payment rates, entitlement commodity earnings and the amounts of Nutrition Assistance Grants in lieu of Child Nutrition Programs to America Samoa and Commonwealth of Northern Mariana Islands.

The 12 percent requirement was not met for SY 06 (July 1, 2005 – June 30, 2006). The shortfall equals approximately \$86 million. We have made an adjustment in the Processed Commodity Inventory Management System (PCIMS) to add the \$86 million to States' SY 07 commodity entitlements.

The \$86 million, when allocated between all of the States, equals about \$.0177 per meal served. We added the \$.0177 to the SY 07 published rate of \$.1675 in PCIMS to adjust the State entitlement accounts in the Electronic Commodity Ordering System. The adjusted entitlement rate shows in PCIMS as \$.1852 per meal for SY 07.

The SY 07 rate dropped significantly because of the formula FNS is required to use by law. Specific components of the March, April, and May Producer Price Index must be used to calculate the rate. The beef and dairy components of the April Producer Price Index declined significantly. Beef and dairy prices represent 60 percent of the formula. This caused the SY 07 rate to be less than SY 06 rate.

Please feel free to contact us, if you have further questions.

Cathie McCullough
Director

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